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C O N F I D E N T I A L SECTION 01 OF 03 ABUJA 001135

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SUBJECT: NIGERIA: ABUJA ROUND-UP March 25-April 5

CLASSIFIED BY AMBASSADOR HOWARD F. JETER. REASON 1.5
(B) AND (D).

BATTLE OF THE BULGING BUDGET

1. (SBU) On March 26, the National Assembly approved the 2002 budget of N1.06 trillion (USD 8.7 billion), a 20 percent increase over the President's N841 billion (USD 7.25 billion) proposal. In a radio call-in program later that week, President Obasanjo signaled his intention to veto the measure because it would necessitate significant deficit spending. Instead, he promised to confer with National Assembly leaders to prioritize projects within existing resources. Meanwhile, either believing that they had done their legislative duty or to escape criticism, both houses went into recess immediately after passing the budget - leaving unexplained much of the detail of their measure, especially how they would finance it.

2. (SBU) If, as the Appropriations Chair of the House claims, revenue assumptions are oil at USD 18 per barrel and production of 1.8 million barrels per day (b/d), GON projected revenue will be only N633 billion (USD 5.5 billion). A far cry far from the N1.06 trillion needed to balance the Assembly's proposed budget, and privatization -- particularly given the implosion of the NITEL sale -- can no longer be expected to cover much of the shortfall. The recent increase in world oil prices will help to some degree but not enough to bring the Assembly's desired budget into balance.

3. (SBU) Even with the deficit projected under the Assembly's proposed budget, the differential between actual and anticipated oil revenues may be treated as "excess oil proceeds" (any revenue above the budget's projected oil price). In the past, the Administration withheld these funds from the Federation Account (which is distributed in a formula to Federal, States and Local Governments) to use them for discretionary projects outside the budget. In 2001, States and the National Assembly eventually forced the Executive to share some of these excess funds, resulting in a significant influx of liquidity that served to worsen inflation and increase downward pressure on the Naira. Should the GON begin to realize any "excess oil proceeds," there will be even more pressure from the States for access to some of these funds given the impending electoral season and the current fiscal crunch experienced by many states when oil prices fell after September 11.

THE NORTH SHALL RISE AGAIN

4. (SBU) On March 27 and 28, the Arewa Consultative Forum (ACF) marked its 2nd anniversary by hosting a seminar on peace and unity in Nigeria. The two-day program consisted of three plenary sessions on issues relevant to Northern Nigeria; the second day was labeled a civic ceremony in which government officials addressed the forum about its goals. National unity and the survival of democracy were two of the first day's main issues. Speakers the first day gave frank appraisals of the current strife between Muslims and Christians, this strife's effect on Nigeria's progress. Former President Gowon quoted reading a "U.S. State Department Intelligence Report" in which the religious differences and ethnic fractures were described as moving from bad to worse. Rather than condemning the U.S. for the report, Gowon stated the report accurately reflected how Nigeria was viewed by the rest of the world. He further stated that Nigerians must work to change this perception.

15. (U) A member of the Oputa panel (Human Rights Violation Investigation Panel), Reverend Matthew Kukah also addressed the need for unity, declaring that Nigeria cannot survive if internally divided. Kukah went on to say that if Nigerian democracy is to succeed the people must have realistic expectations of democracy and understand that citizens have certain responsibilities in a democracy as well.

16. (U) The second day of the forum was not quite as congenial. In a talk entitled "Politics and the North," Governor Bafarawa (APP) of Sokoto State shot a broadside at the Obasanjo Administration. Billed as speaking on behalf of all 19 governors of the northern region, Bafarawa credited the North with political selflessness in backing Obasanjo for President in 1999, because Obasanjo was seen as a "detrified" leader at the time. However, since then, Obasanjo has proven to be an ingrate. "Today, it is 34 months that the President has been in office. Unfortunately, however, instead of helping the North to prosper, the foundations for sustainable development laid by our past leaders are regrettably being systematically destroyed with brazen recklessness."

17. (U) The Sokoto Governor listed three major factors in his denunciation of Obasanjo: indiscriminate dismissal of Northerners from federal jobs, unfair distribution of funds for federal projects, and unchecked violence against Northerners in Southern States. Calling on all Northern Governors to oppose Obasanjo's reelection, Bafarawa continued that Northerners must band together, notwithstanding party affiliation, for the 2003 elections in order to restore the region's "lost glory." Laden with regional chauvinism, Bafarawa's peroration, calling for a united North, was greeted by loud applause. In contrast, Minister of the Federal Capital territory addressed the ACF on behalf of Vice President Atiku. Atiku's theme was that the North should not blame others for its plight; its problems rest squarely on the shoulders of the Northern elite. He stated that Northerners have viewed political power as an end in itself and not a means to an end, such as economic development. Predictably, Atiku's statement did not generate the same reaction as Bafarawa's.

18. (C) COMMENT: The applause elicited by the Governor's statement does not mask the fissures in Northern Nigeria's political topography. Despite Bafarawa and other anti-Obasanjo ACF voices, a handful of influential Northerners have recently spoken in favor of Obasanjo. Additionally, Father Kukah told the ACF gathering that de facto religious discrimination impeding not only economic development but also the prospects for political unity in North between members of the different religions. Privately, Kukah told us that the ACF event was controlled by members of the opposition APP and other Obasanjo critics to give the appearance of Northern unity against the President. End Comment.

ARM TWISTING AT OTA

19. (C) In an attempt to douse Bafarawa's incendiary and short circuit other outbursts against a possible Obasanjo reelection bid, Works Minister Tony Anenih, the consummate mechanic of political deals, engineered a procession of PDP governors, party officials and others to visit Obasanjo at his farm in Ota during the Easter weekend. Receiving massive media coverage, the event was characterized as a show of support for an Obasanjo bid at a second term. Speculation ran rife that President Obasanjo would announce his intentions regarding the 2003 elections at that time. While the President maintained his silence, this event seemed to indicate that a reelection bid was more probable than not. However, not everyone was happy to be in Ota. We have gathered from a few sources that Anenih put the squeeze on the PDP governors. Reportedly, he threatened that the federal government would be miserly toward states whose governors failed to appear. Conversely, he promised some private pocket

money for those state chief executives who were present. (Note. All PDP governors, except Abia Governor Kalu, who has battled publicly with Obasanjo attended. End note)

110. (C) Despite Anenih's legerdermain, the Governors did not endorse Obasanjo, according to Kaduna State Governor Marakfi. Makarfi contends that the Governors did not say they would back Obasanjo. Instead, they demanded that Obasanjo make up his mind and publicly state his electoral intentions. Anenih, abetted by Information Minister Jerry Gana, craftily gave a positive media spin turning what, in effect, was intended to be an ultimatum from the Governor's into a "demand" that Obasanjo seek reelection.

AFTER THE SAFIYA HUSSEINI VERDICT

111. (C) Emboff met Safiya Hussieni's lead attorney April 2 to further discuss the appellate court reversal of Hussein's stoning sentence. The attorney, Hauwa Ibrahim, generally commended the appellate court decision and the manner in which it was rendered. Ibrahim recalled that the gallery was full of anticipation as the judge began to read the verdict. Once she gathered that the court would reverse the sentence, Ibrahim worried that the gallery might erupt violently. Fortunately, the judge tactfully diffused emotions, by liberally lacing his decision with quotes from the Koran and taking over 2 hours to read the judgment. Still, Ibrahim said, there was agitation among the Sharia hard-liners in the gallery. Because of this hard-line element, Ibrahim made special arrangements with local police authorities to secret Safiya out of the courtroom and to a safe house until things quiet.

112. (C) While praising the rulings (particularly its affirmation of a defendant's right to withdraw a confession at any time under Sharia), Ibrahim pointed to some lacunae in the court's reasoning. She claimed the court cited the Federal Constitution as giving the Sokoto State Assembly the authority to enact criminal Sharia legislation. However, she criticized the court for purposely sidestepping Safiya's contention that, if the Constitution is the organic authority for the State's criminal Sharia code, then the constitutional bar against cruel and unusual punishment should likewise apply to the penalties that can be imposed under Sharia. The second important issue the Court overlooked was the defense contention that the Koran did not mandate a stoning sentence for adultery.

113. (C) Ibrahim is also counsel for the three other women in Sokoto facing similar stoning sentences. She will likely help in the case in Katsina State as well. She hoped that the Hussein decision will set a precedent and stated that she has moved quickly to provide copies of the decision to the judges in the other Sokoto cases. However, one case appears to be very difficult. In this case, the woman not only admitted to adultery but she abandoned the child who died as a result. Ibrahim commented there would be little local sympathy for this defendant and that there will be a clamor for a harsh sentence because of the infanticide.

SHOW ME WHERE TO PRINT THE MONEY

114. (U) In the aftermath of the NITEL privatization failure, government's decision to privatize the Nigerian Mint has come under increased scrutiny. Typical of most parastatals, the Mint is inefficient. However, the symbolic importance of government ownership resonates with many Nigerians. Obasanjo critics, particularly in the House of Representatives, have found this too easy an opportunity to pass up. PDP rival and former Governor of Kano State Abubakar Rimi is Chairman of the Mint, and he has engaged, along with many members of the National Assembly, in a campaign to prevent the sale.

15. (U) So far, the President seems adamant, as is Bureau of Public Enterprises Director General Nasir el-Rufai, who is more determined than ever after being called on the carpet by the National Assembly for the failed NITEL sale. Compared to NITEL and some of the other projects, the Mint is fairly small potatoes. Nonetheless, it will be interesting to see if el-Rufai can overcome doubts (specious ones) about the currency's security and refute accusations that he is giving away Nigeria's sovereignty. To date, one of his more strident responses to criticism has been to say incompetence in the Mint has forced Nigerians to depend on "white men in Germany and England" to print their money.

JETER